



Department of the Treasury
Internal Revenue Service
Pacific Coast Area

TAX EXEMPT/GOVERNMENTAL ENTITIES

2 Cupania Circle
Monterey Park, CA 91755

Date:

JUL 13 2000

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Employer Identification Number:

[REDACTED]

Person to Contact:

[REDACTED]

Telephone Number:

[REDACTED]

FAX Number:

[REDACTED]

Refer Reply to:

[REDACTED]

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth in Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association. Contributions to you are not deductible under section 170 of the Code.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, "Consent to Proposed Adverse Action". You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers.

You may request a hearing with a member of the Office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the State of Procedural Rules. See Treasury Department Circular No. 230.

[REDACTED]

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides in part:

A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United State for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within the time specified, this will become our final determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of Section 6104(c) of the Code.

Sincerely yours,

Steven T. Miller

Steven T. Miller
Director, Exempt Organizations

Enclosures:
Enclosure I
Publication 892
Notice 1214
Form 6018

cc: [REDACTED]

[REDACTED]

ENCLOSURE I

The [REDACTED] was incorporated in [REDACTED]

The Articles of Incorporation state, in part, that the purposes of the organization are to (a) provide referees for interscholastic soccer matches; (b) assess referees; and (c) provide training for referees. The bylaws state that the activities of [REDACTED] shall be those necessary and appropriate to accomplish the purposes of the corporation as stated in the Articles of Incorporation.

Form 1023, Part II, item 1 requested a narrative description of all the activities of the organization. The narrative provided stated, "The primary purpose of [REDACTED] is to provide refereeing services for interscholastic soccer matches in [REDACTED]. The organization will seek qualified members who must pass the [REDACTED] annually. The organization promotes and endorses the [REDACTED]. The organization provides training and assessment for its members."

The Articles of Incorporation provided that [REDACTED] shall have members, with such voting rights, as provided for in the bylaws of the corporation. Article III of the bylaws provided that the corporation shall have members. The corporation membership shall be open to all individuals interested in supporting the purposes of the corporation in such categories and upon payment of dues.

Additional information provided with the application for exemption indicated that membership is open to all but before he/she can referee in an interscholastic match, he/she must pass [REDACTED] soccer referee exam annually (training provided) and \$[REDACTED] annual membership dues. The membership dues paid by each member is used to pay dues to [REDACTED] to fund an assessment and training component and to pay for supplies and mailing expenses.

In a statement provided with the application, it states that an [REDACTED] Board representative makes proposals to high school league executive secretaries to provide referees for their soccer matches. A fee per game is agreed upon. With the money, [REDACTED] pays an assignor (a position that is rotated year to year among the referees) an amount per game and each referee an amount per game. Leagues are billed at the end of each season based on the number of games and the number of officials attending the games. Upon receipt of the payment, [REDACTED] pays the referees and the assignor. [REDACTED] does not keep any of the monies paid by the league. The Board works with the assignor to ensure that game assignments are equitable and well matched.

[REDACTED]

ENCLOSURE I continued

[REDACTED] will derive approximately [REDACTED] % of its support from the Leagues as payment for referee services. [REDACTED] also receives nominal amounts of income each year from membership fees and investment income.

[REDACTED] expenses consist primarily of payments to the member referees and assignor. This expense makes up approximately [REDACTED] % of the total expenses of the organization. Other miscellaneous expenses consist of dues, supplies, legal, bank charge, and [REDACTED] tax.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of corporations organized and operated exclusively for charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations states that an organization is not organized or operated exclusively for one or more purposes described under section 501(c)(3) unless it serves a public rather than a private interest. Thus, to meet the requirements, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Revenue Ruling 61-170, 1961-2 C.B. 112, described an organization composed of professional private duty nurses and practical nurses that supported and operated a nurses' registry primarily to afford greater employment opportunities for its members. The organization was not entitled to exemption from Federal income tax under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3) of the Code.

The organization was incorporated for the general purpose of organizing private duty and practical nurses for their mutual benefit in order to make their services more readily available when needed by the general public. The bylaws stated that its specific purposes were to provide employment for its members as well as to organize an adequate and available nursing placement service for the community. A board of trustees composed of professional nurses controlled the organization. Its membership was open to both registered and practical nurses who met specified requirements. The organization maintained a registry of its members showing their respective qualifications and the types of service they perform. Reference and placement from the register were made on a rotating basis upon a request for nursing services. Continued membership in the organization was contingent upon continued demonstration of ability and the adherence to ethical standards prescribed by the organization.

Your organization is similar to the organization described in Revenue Ruling 61-170 because you are providing referees who are in good standing with employment opportunities.

[REDACTED]
[REDACTED]

ENCLOSURE I continued

Your organization, in the letter from [REDACTED] dated [REDACTED], asserts that the assigning of officials, typically teams of two or three officials, is the perhaps the least important function of the [REDACTED] and one which the leagues could, and previously did, undertake themselves. The critical functions of the Association are to foster and promote local, national and international amateur sports competition in the game of soccer by: (1) advancing the ideals of good sportsmanship and fair play through quality officiating in soccer, and respect for the authority of soccer officials at all levels of competition; (2) providing educational programs to advance the skills of soccer officials at all levels of competition; (3) conducting public information programs that will encourage appreciation for the skills and competence of soccer officials; (4) placing special emphasis on developmental concepts of good sportsmanship among the youth of the nation, both as competitors and as spectators; (5) conducting studies and analyses of soccer rules to identify sources of officiating problems and seek solutions in cooperation with appropriate rule making bodies; (6) developing and maintaining a membership, consisting of experienced and capable soccer officials whose integrity is above reproach and who are actively engaged each year in officiating games; and (7) fostering a high standard in ethics, encouraging fair play and sportsmanship, and promoting closer cooperation and better understanding among officials, athletic representatives, coaches, players and the press.

Based on the facts presented above, we hold that your organization does not qualify for tax exemption under section 501(c)(3) of the Code because you are primarily engaging in activities that are for the benefit of your members. Webster's Dictionary defines "referee" as an official supervising the play in a sport. By the nature of the position of referee, the individual must advance the ideals of good sportsmanship, fair play, and high standards of ethics. While these are important functions of the referees and your organization, they are not your primary activities. Your organization is serving the private interests of the individuals who are performing the services as referees.

Form 6018
(Rev. August 1983)

Department of the Treasury-Internal Revenue Service
Consent to Proposed Adverse Action
(All references are to the Internal Revenue Code)

Prepare In
Duplicate

Case Number

Date of Latest Determination Letter

Employer Identification Number

Date of Proposed Adverse Action Letter

Name and Address of Organization

I consent to the proposed adverse action relative to the above organization as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

NATURE OF ADVERSE ACTION

- ☒ Denial of exemption
- ☐ Revocation of exemption, effective
- ☐ Modification of exempt status from section 501(c)() to 501(c)(), effective
- ☐ Classification as a private foundation (section 509(a)), effective
- ☐ Classification as a non-operating foundation (section 4942(j)(3)), effective
- ☐ Classification as an organization described in section 509(a)(), effective
- ☐ Classification as an organization described in section 170(b)(1)(A)(), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

(Signature instructions are on the back of this form.)

Name of Organization

Signature and Title

Date

Signature and Title

Date

INTERNAL REVENUE SERVICE
Director, Exempt Organizations

Date: JUL 13 2000

[REDACTED]
[REDACTED]
[REDACTED]

DEPARTMENT OF THE TREASURY
Pacific Coast Area (TE/GE)

2 Cupania Circle
Monterey Park, CA 91755

Person to Contact/ID Number:

[REDACTED]

Contact Telephone Number:

[REDACTED]
[REDACTED]

in Reply Refer to:

[REDACTED]

Dear Sir or Madam:

We are sending the enclosed material under the provisions of a power of attorney or other authorization you have on file with us. For your convenience, we have listed below the name of the taxpayer to whom this material relates.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely,

Steven T. Miller

Steven T. Miller
Director, Exempt Organizations

Enclosure(s)

Letter

Taxpayer's Name:

[REDACTED]

Letter 937 (DO)